The MORTGAGE BANKER

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The G.I. Program Begins

But there are still many questions to which lenders wish they knew the right answers, inflation possibilities for one

PFC. T.C.S. is like thousands of other veterans. He's heard about the G.I. Bill but he's pretty hazy as to what it is all about. The other day Pfc. T.C.S. wrote to a metropolitan newspaper to inquire whether he would have to "pay back to the government the money they will give me to buy a home under the new G.I. Bill of Rights."

The paper assured him that he "will certainly have to pay it back" and then went on to tell him how to go about getting a loan (and a good deal of what they told him wasn't correct).

Even before the regulations were out, a trickle of veterans into lending institutions had begun and by the time this appears, it may probably have become more than just a trickle. In a number of instances, the veterans were pretty sore when they were told that no loans could be made until the regulations are out. Regulations didn't have much meaning for them. They wanted to get going. Lenders have already interviewed enough veterans to clearly understand that one of the biggest factors in the G.I. program is *public relations.*

As this is written, the general pattern for what some declare will be the greatest lending operation in history has been fairly well established. The forms are available and specimen copies have been sent to every MBA member. Many people however, are keeping their fingers crossed because there is much in the program which isn't entirely clear yet.

For example, on the Certification of Eligibility (Form 1800 which you have), the lender completes the first portion and the Veterans Administration fills in the remainder and designates an appraiser which will be selected from an approved list. Appraising organizations as such won't be selected but anyone who can meet the qualifications will be approved. Some have pointed out that if lenders must rely on one specific appraiser and, for some reason, he isn't available at all times it will cause considerable delay in closing of loans. They contend that several ought to be named.

Opinions of the regulations as a whole have been mixed. Probably the most pointed criticism that has been heard came from Warren H. Atherton, past National Commander of the American Legion, who said: "I defy any deserving G.I. Joe to get a dollar to buy a hot dog stand, a service station, a house or a farm under these glassy-eyed, stony-hearted loan shark regulations." But Mr. Atherton was speaking a day or so after they were issued and may have changed his mind by now.

Another observer pointed out that:

"The most important criticism of the regulations as finally adopted is in the provisions respecting enforcement of the guaranty and requirements with respect to mortgage foreclosure by the lender. In all likelihood, analysis of the last-mentioned provisions by lenders generally will result in sufficient criticism that some modifications will be made in the regulations."

He goes on to say that:

"Criticism has been directed to the portion of the regulations dealing with loans authorized under Section 505 (second mortgages in back of an FHA first mortgage) and to the portion relating to the collection of the guaranty and the foreclosure of mortgages. No attempt has as yet been made to reconcile the regulations with those of FHA. The regulations are still indefinite as to the time of filing a claim for payment of the guaranty and are indefinite with regard to the time and manner of payment of the guaranty. In event of default under a guaranteed mortgage, the Veterans' Administrator is given certain options some of which will result in payment of the full amount guaranteed, others will result in only partial payment of the amount

THE G.I. FORMS

Do you want copies of all the G.I. lending forms which have been issued so far? We have them and will be glad to send members a supply on request. We will also be glad to send members a supply of the regulations. We have a limited number of copies of an analysis of the bill which you may secure by writing the headquarters office.

guaranteed. There is no provision in the regulations definitely requiring full payment of the amount guaranteed under all conditions.

The VA is worried about the threat of inflation

"The subrogation provision in the regulations remains unchanged and is objectionable. The regulations provide that sums paid under the guaranty will be debts due the United States by the veteran. The result is a right of legal subrogation in the United States. The regulations further provide that the Administrator shall be subrogated to the right of the mortgagee to the extent of sums paid on account of the guaranty, such subrogated right, however, to be subordinate to the lien of the unpaid portion of the mortgage. Consequently, it will be necessary to join both the Administrator of Veterans' Affairs and the United States as parties defendant in each foreclosure action."

One of the significant developments since the regulations were issued has been the continued warnings sounded by almost everyone in the VA—including particularly Francis X. Pavesich—that it will be a catastrophe if veterans rush to buy property at inflated prices and find later that they can't keep up their payments. A sincere effort is being made by government officials, to avoid any such possibility. At the Chicago Conference Mr. Pavesich was adamant on this point (*See quotation in "Remembered from the Speeches" in November 15, 1944 Local Chapter News*).

Since then he has been raising the same point wherever he has spoken. Recently he said that "I think lenders will be doing veterans a disservice if they encourage them to take on obligations they won't be able to pay for.

"We must remember that those now being discharged may come back to jobs that pay inflated wages. Buying power may very easily be expanded too quickly, with the result that somebody will get hurt," he declared.

"The veteran group is going to be an important element of our population. Some 15,000,000 may be entitled to the benefits of the G.I. Bill by the time the war ends.

"Veterans must be told that there is no need for them to rush to get loans. They will not be disqualified to apply until two years after the war is officially declared at an end. That date could possibly be so far off that veterans would have full opportunity to avail themselves of the provisions of the G.I. Bill up to 1951.

"That means veterans have ample time to buy a home or to start up a business of their own. Values are unquestionably high today.

"I am not advocating putting veterans off. Do not misunderstand me. But it is up to lenders to study each veteran's application for a loan thoroughly and to counsel and advise him to do what is best for him. Therefore, before you arrange to process a loan, advise the veteran what he had best do."

In announcing that FHA field offices are accepting applications for the insurance of principal loans supplemented by loans under Section 505, FHA Commissioner Ferguson echoed Pavesich's views when he said:

"A mistake in the nature of 'bad buying' or over-buying can cause plenty of grief in the years to come. The danger of making such a mistake is especially acute under present market conditions in many areas. The veteran should have all the protection that can be given from everyone involved in the transaction — the broker, the builder, the banker. FHA, with its sound system of unbiased appraisal, is going to do its part."

The Act is headed back to Congress for revisions

As members have heard by now, the ink on the regulations was hardly dry before plans were in motion for sending the Act back to congress. The thing that started the ball rolling was the question of whether the VA has the power to attach the disability benefits going to a disabled veteran to cover losses which the VA may sustain upon default and foreclosure of a loan guaranteed by it.

The VA holds that sucn attachment is provided for by the statute and has made it part of the form to be read by or to a veteran applying for a loan.

The American Legion holds that no such provision was intended. Senator Bennett Clark, Missouri, holds that such an attachment was intended but Representative Kearney, New York, said that Congress had no such intent.

Congressman Wright Patman, Texas, has introduced an amendment in the house to clear up this matter and possibly his move will inspire others to clarify by law some of the other seeming inconsistencies in the bill.

RFC Mortgage Company may enter secondary market

Another question that has been receiving considerable attention has been whether the RFC Mortgage Company will enter the market for the second loans. Our FHA committee has had the question up with officials and was given the impression that the need for RFC action would have to be clearly shown. At the time it was not known how the market would absorb these mortgages. The comptroller of the currency, as members have heard, has ruled that "in order to enable national banks to participate in this portion of the 'G.I.' program, this office has taken the position that even though such second loans are secured by liens upon real estate, they will not be considered real estate loans subject to the limitations and restrictions of Section 24 of the Federal Reserve act, for the reason that the loan guaranty certificate issued by the Veterans' Administration rather than the real estate lien constitutes the bank's primary security."

And under a ruling, Federally-chartered savings and loan associations may make 100 per cent mortgages under the conditions prescribed in the Bill.

An amendment to the FHLBA regulations permits the institutions which it supervises to go above 80 per cent to such extent as the excess covered by a VA guarantee.

Thus a savings and loan association can make a 100 per cent single loan to a veteran when 20 per cent represents the VA guaranteed proportion. Under the FHLBA, a veteran with sufficiently good income and other qualifications, might borrow as much as $10,000 to buy a $10,000 home. Two thousand dollars would be the maximum Veterans Administration guaranteed proportion of the loan, while the lender's unguaranteed proportion would never exceed its 80 per cent maximum mortgage credit limit.

The regulations, incidentally, seem to have been more pleasing to the savings and loans than any other class of lenders. It was apparent from listening to the discussion at the organization's recent annual convention that these institutions anticipate doing a big volume of G.I. loans. Significantly, a Washington saving and loan, on November 17th, made the first G.I. loan, one for $7,500 to a 48-year-old veteran for a home. In fact, all the loans made to date have been by savings and loans as far as we know.

And as members have also heard, the Federal Reserve Board has exempted from provisions of Regulation W, relating to consumer credit, "any loan guaranteed by the Administrator of Veterans Affairs, pursuant to Title III."

VA publishing analysis as guide for lenders

MBA has made no analysis of the Bill itself or the regulations because the VA is planning to issue a handbook to guide lenders in taking care of applications. The booklet will carry instructions, examples of how the guaranty works under various possible situations where a loan may not pay out and counsel on how best to safeguard the interests of the veteran and the lender.

A point to be emphasized by the bureau is that possibly the 4 per cent home loan provisions will be the most valuable financially to the average veteran, and that therefore he would be unwise to dissipate his $2,000 approvable credit in borrowings where ordinary bank credit would see him through, and withhold his use of the $2,000 credit until such time as he has settled down to the point where he can choose a home suitable for ownership by him.

The 4 per cent interest on a G.I. home loan may mean saving of from $500 to $1,000 in interest in purchase and payment for a home over a period of 15 or 20 years, it was said.

(Analyses of the bill and regulations have been made by Major Fred N. Oliver, counsel for the National Association of Mutual Savings Banks, and by the Federal Home Loan Bank of Boston and J. Onley Brott, assistant general counsel of ABA.)

As to the farm part of the program, the regulations aren't out as this goes to press but will be any day. MBA members who want copies should write us immediately so we can send them a supply as soon as available. While it is not known even now just what agency or agencies will process the home loans (new VA offices have just been opened in New York, Washington, Chicago and San Francisco), it is believed that the Farm Credit Administration will be the dominant factor in the farm program. This is in line with the recommendation of our farm members who conferred with VA officials the week following our Chicago conference. It had been at first believed that the Farm Security Administration might be the principal factor.

Commenting on the farm program, the Federal Reserve Bank of Atlanta observes that a "veteran who wishes to borrow money to finance the purchase of a farm will probably find the terms of the Bankhead-Jones Act more favorable than the terms granted under the veterans' bill. He will have 40 years in which to pay back the loan instead of the 20 years of the veterans' bill, and his interest rate will be 3 per cent instead of 4 per cent. Similarly, other farm-purpose loans desired by veterans are likely to be financed through existing Federal farm credit agencies. Many commercial banks in agricultural areas have not made loans on terms as favorable to the farmer as those of the farm credit agencies, and, presumably, in such instances veterans' loans of this type would still go to the public agencies.

"The situation is somewhat more promising for the banks with respect to housing loans. Few banks, under existing practices and statutes, will find it possible to lend any great amount of funds on housing loans running as long as 20 years. The share of the commercial banks in housing loans, therefore, will probably be confined largely to FHA loans and the making of the second loans provided for under Section 505(a) of the veterans' bill. This section indicates specifically that the first loan is to be made or guaranteed or insured by a Federal agency. Presumably, the first loans will largely be those of the kind already made under FHA regulations."

Some bankers have reservations about the legislation. While admitting that, in general, the Act represents a fine effort and deserves every banker's support, Frank Rathje, ABA vice president, believes that it is by no means perfect.

Principal shortcoming of the veteran's loan situation now, said Mr. Rathje, is failure to designate a servicing agency to process applications for loans on homes. He said it also fails to recognize that veterans will return home over a period of years in which building and land costs may vary greatly. The maximum loan guarantee remains at $2,000, however.

Another fault, he said, is the limited scope of the loan regulations, there being no loan provisions to cover the person who is not ready to buy a home, farm, or business.

As members know, we are querying the entire membership on their opinion of the regulations, what inquiries they have had, how good the prospects look so far and under what section they believe there will be the largest volume. This is being done in collaboration with the VA which is anxious to know the trend of opinion within MBA. If you haven't filled out and returned your questionnaire, please do so promptly.

MBA is surveying certain aspects of the program

Meanwhile, we await word of the first MBA loans made. There probably aren't going to be many for some time. The program will be slow in getting started and the VA is not expecting any big rush of business right now. In fact, it would almost appear they wouldn't welcome it. Just what the different classes of lenders represented in MBA are going to do in the G.I. program we frankly don't know. Action of the part of the life companies will depend on changes in many state laws. Incidentally, the new MBA director of research, J. Robert Miller, has just begun a comprehensive study of what changes in laws are necessary in each state and what action has been taken so far. You'll get a copy when it's ready. And in the meantime, if you have any comments on the whole G.I. program, let's hear them.

NOTES ABOUT FHA

Members' Ideas Differ Widely as to What Changes Ought to Be Made in FHA Program

IN THE September *Local Chapter News* appeared a department labeled *On the FHA Front*, the subject of the leading article being "No Relief in Sight Yet on FHA Prepayment and Refinancing Certificate Problems." In it we gave members FHA Commissioner Ferguson's considered views on the refinancing certificate problem, prepayments and various other matters which our committees have been discussing with him for some time. Mr. Ferguson concluded that no change of policy could be considered at this time.

We asked for comments from members as to what they thought. We specifically asked "what do MBA members suggest would be good strategy now?"

We weren't long in finding out. Many said "keep after it." It won't be necessary to again cite their arguments because they are the same which have appeared here in the past as to why action ought to be taken along the lines suggested.

FHA is thinking about possible changes in regulations covering 207 loans. Our FHA committee is discussing this and a number of other matters and has held several conferences with officials and will be given an opportunity to pre-view any contemplated changes in FHA regulations.

In the meantime, here are some opinions which members have expressed about our past thinking relating to FHA.

U. A. Denker, vice president, The Wheeler Kelly Hagny Trust Company, Wichita, wrote to say that:

"The best strategy would be for MBA members to quit haranguing FHA about pay-off penalties and revision of refinancing certificates. Mr. Ferguson pretty much put us in our place—and justly so—when he said 'and it has been indicated that most lenders prefer a minimum of government interference therewith.' Why not be consistent? At our annual conventions we have adopted resolutions demanding that the government quit interfering with our business. Why then should we turn right around and try our best to get it to police us, especially on something that we insisted upon? Isn't it true that the refinancing certificate was the brain child of members of MBA, and that it was put into the regulations on their insistence? If it has now turned out to be a boomerang, maybe we should suffer the consequences.

"Refinancing is a headache for all of us. We are having a lot of loans paid off but the same thing applies to our competitors. But this isn't because we are raiding each other's portfolios. As a matter of fact, in our city we are getting along well with each other. In all probability, if every member of the MBA would be a little more broadminded and cooperative with the competition in his community, and if the insurance companies and their correspondents were a little more thoughtful of each other's problems, we wouldn't have to worry much about refinancing. Certainly if most of us spent as much time trying to cooperate as some of us do in trying to high-pressure FHA into doing something that it doesn't want to do and probably shouldn't do, the mortgage loan business would be far better off.

"If MBA wants to do something, we have a suggestion. It is that every effort be made to re-establish FHA as an independent agency. In plain language I mean that NHA be disbanded; but if in its present scramble to find some justification for its continuance it should be successful, then let it continue; but by all means eliminate it as the top authority over FHA. There should be no connection between the two."

Alester G. Furman, Jr., of Greenville, S. C., holds a similar view. He said:

"I can't imagine how sensible men, who want to see a continuance of the American way of life, would cut their own throats by asking for government protection just because, in the immediate situation, it might temporarily help them—they think. I heartily agree with Mr. Ferguson. . . ."

Frank Wolff, president, W. K.

CHICAGO TRIES NOVEL PLAN

While we are thinking about portfolio raiding, Chicago MBA members are engaged in an unique experiment which mortgage men will watch with interest. In the Chicago area, portfolio raiding is a problem as it is in other parts of the country, particularly as to institutions soliciting property owners to switch from FHA to conventional loans at a lower rate of interest. The Fair Practices Committee prepared a card which is being furnished Chapter members in quantities for distribution to their borrowers. It reads:

ATTENTION HOME OWNER!

If you are approached to refinance the mortgage on your home we suggest you see the agent now servicing your loan before acting. Experience has proved that your present mortgage holder can, in most cases, do better for you than any other organization. A careful analysis usually shows that the saving in interest will not justify the expense involved. Make no change without first consulting your present servicing agent.

CHICAGO MORTGAGE BANKERS ASSOCIATION.

How does the idea sound to members of other chapters?

the FHA Washington officials. The right of *approval* carries with it the right to withdraw the approval. Thus the Washington officials could readily *disapprove* of an individual or organization which violated the spirit of the refinancing certificate and otherwise indulged in raiding activities."

E. W. Hamcke, president, Fulton Service Corporation, Brooklyn, believes that "the difficulty would be solved if the FHA, immediately upon receipt of an application containing a signed refinancing certificate, would notify the present holder or its agent of the new application.

"The writer can vision cases where an existing FHA mortgage has been satisfied and a new FHA mortgage placed on the property without the existing holder knowing that a new FHA mortgage has replaced his FHA mortgage. By notification to the present FHA mortgagee he would then be put on notice and any objections to the new application could then be filed with the FHA."

E. H. Grootemaat, A. L. Grootemaat & Sons, Inc., Milwaukee, says: "We have been struggling with the question of rehabilitation of blighted areas and particularly the problem of securing housing in our Negro populated areas. It occurs to me that a new title to FHA would afford the financing and give incentive to private capital and private builders to do the job. Title I pretty much accomplished its purpose. Title II revived private housing and encouraged private ownership with private capital and private builders doing the job. Defense housing and war housing under Title VI were accomplished the same way. Why, then, shouldn't a new title for rehabilitation purposes bring out the vast reserves of institutional investors? It seems to me that MBA should be leading in a program of this kind."

The new MBA FHA committee headed by Guy T. O. Hollyday is a pretty active group in the Association these days and is pursuing a number of matters with agency officials now. Members' suggestions will be most welcome. Write Mr. Hollyday direct and send a copy of your letter to the headquarters office.

Waters Thinks that Nothing More Can Be Done Now to Promote Insured Farm Loans

While expressing the MBA farm loan committee's conviction that a system of insurance for farm loans similar to FHA's would react to the advantage of the business as a whole and do much to re-open this field of private business, S. M. Waters, chairman, declared that as conditions are today he sees little hope that anything further can be accomplished now to promote this idea.

"Although the idea of the insurance of farm mortgage loans has been used, and will probably be used even more extensively, it has so far been made to apply to such semi-social problems as farm tenant purchase and returning soldiers' benefits. Since we have avoided trying to bring the subject to an issue by the introduction in Congress of a bill to set up such a system but have treated it as a subject for academic discussion, we have received quite a little publicity favorable to the Association. I could never see any point in introducing a bill for such a plan without some definite assurance of substantial support and I think doing that would have been a detriment to the activities of our Association.

"The report of this committee made at the last annual meeting is the final word on the subject. The conclusion of it was that a system of mortgage insurance for farm loans could well be included in postwar plans and if not so included there is little chance of its receiving favorable attention. There is still skepticism on the part of institutional investors as to the ultimate success of insurance of loans under FHA and, until that system proves itself by successfully carrying through some depression in the city loan field, it is not likely that the idea of the insurance of mortgage loans made by private enterprise will be further promoted.

Reviewing the general farm lending picture, Waters made these observations:

"1. Farm mortgage debt continues to decrease but at a slower rate.

"2. The number of new farm mortgages filed for record has fallen off slightly from the previous year and so has the dollar volume but both are considerably above the average for the years 1937-1940.

"3. The size of the mortgages recorded still continues to increase and a larger share of the business is being taken by commercial banks and individuals rather than by institutional lenders and federal agencies.

"4. The large overhang of farms for sale has been very substantially reduced; most institutional lenders have reduced their holdings to a point where the expense of their former liquidating efforts is not justified and is being curtailed.

"5. The market for farm lands has continued to increase and so has the price of farm land. Both the pressure on the market and the percentage of price increase vary in different sections. Reports are that real estate dealers are eagerly seeking farm sale listings and not getting enough to meet the demand. It can't be said that we have a boom in farm land prices but the elements which make for such inflation are present.

"6. Farmers' deposits in country banks continue to increase at a rapid rate. Farmers' holdings in cash are estimated at an all-time high in spite of their very substantial purchase of war bonds.

"These things make for a danger which might develop either in a boom in farm land prices or an overwhelming demand for farm equipment and materials for farm improvement and of course a rapid rise in price in either or both of these commodities."

MBA BOOTH AT SHOW

MBA has contracted for a space at the big home builders show in Chicago in January sponsored by the National Association of Home Builders. Of attractive design and good location, it should prove excellent for furthering closer contacts with builders. MBA members who attend the show are advised to be on the look-out for it.

The Question of Lower Interest Rates

LOWER RATES NO ANSWER

"The most effective way to reduce the monthly cost of home ownership is to secure reductions in the capital cost of the house and land. For example, if a 20 per cent reduction in the cost of the property (land and house) is achieved, it is more than three times as effective in reducing monthly costs as a 20 per cent reduction in the rate of interest charged for a mortgage loan.

"Total monthly payments and costs of a $5,000 house would be cut 5.4 per cent over a 25-year period by a reduction in the interest rate from 5 per cent to 4 per cent, while a reduction in construction costs from $5,000 to $4,000 would cut monthly payments by 16.4 per cent. Over a 40-year period, the comparative saving through lower construction cost would be even greater.

"Sixty per cent of the total cost of an average single family dwelling is represented by the 'shell' of the house—the structural enclosure, including the foundation, roof, floors and walls. The most promising approach to bringing down the cost of a house lies in the field of devising new and less costly materials out of which the 'shell' is constructed."—From the current study on "Housing Costs" by the National Housing Agency.

WANTS A BIG CUT

"If home loan interest rates are reduced, Americans will build 15,000,000 family housing units during the 10 years after the war. The government should see that the interest rate on home loans is cut to 3 or 3½ per cent. The rate now averages 5 per cent. This liberalization will not only enable 1,500,000 Americans to build homes each year but will provide stable, continuous work for 2,500,000 workers in the building industry.

"The financial burden of home ownership has been too heavy for the average wage earner and the Federal Housing Administration protected the mortgage-lender but not the home buyer."—R. J. GRAY, chairman, executive council, American Federation of Labor, at the organization's annual convention.

WHAT THE CIO WANTS

"We advocate substantial reduction in the home-building mortgage interest rates, consistent with the physical and economic soundness of the housing built under such a program; and, consistent also with, first, the public benefits to be derived from adequately housing families in the lower-income groups, and, second, for guiding urban decentralization into sound community patterns, and, third, for providing the way to urban slum clearance and redevelopment programs; longer periods of mortgage amortization for housing developed in planned communities in accordance with the above program."—One of three examples of the type of public aid to private enterprise advocated by the CIO's United Automobile Workers Union (taken from the book, "Politics in Housing").

A FAMOUS American once remarked that "the Supreme Court always follows the election returns." Commentators today are remarking that organized labor, too, follows the election returns and believes it has won a significant victory at the polls. Whether that is true or not, it won't be a bad idea to examine recent public statements of the American Federation of Labor and the CIO on interest rates since this is a subject in which every mortgage lender has a vital interest.

The statement of a high American Federation of Labor official made a few days ago and a recent CIO statement have been laid side by side with the conclusion reached in a National Housing Agency study. The labor statements are based on what people *think;* the NHA conclusion is the result of scientific study.

Hardly a week passes without some rumor filtering into the MBA headquarters office to the effect "that they're going to bust the interest rate." It is strange that so many well-informed people seem to believe that lower rates are going to work magic. All of their opinions seem based on the idea that lower and lower rates will work wonders for the borrower, but they never seem to go far enough in their thinking to appraise what will happen to the *market* for mortgage loans.

NHA has done some effective work in exploding the theory that lower rates will work a miracle in its recent study. It deserves a careful examination by every mortgage lender—and, we might add, by our builder and equipment manufacturer friends, some of whom seem to have been "taken in" somewhat by the lower-rate arguments.

Housing costs are high, the report said, because the home building industry which is made up in large part of numerous small business enterprises, has been unable to undertake scientific industrial research on a sufficiently broad scale to bring down costs on a scale comparable with modern mass production industries.

"If housing is to assume its proper place in the national economy, costs must be substantially reduced without sacrificing standards of quality."

The report considered only items of cost involved in the construction, maintenance and ownership of houses. Although it was limited to single-family houses, most of the conclusions reached apply to rental properties as well.

"Although certain new materials and methods have been introduced into the building of houses in recent years, there is considerable evidence to indicate that most of the changes have improved the quality of houses only by increasing their cost, and that low costs

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DECEMBER, 1944

Personalities and Events

When Missouri's General Assembly convenes next year, an MBA governor, **Frank L. Wilkinson,** Kansas City, will take his seat as one of the two state senators from that city . . . in addition to the new book by Dr. Butz on the Production Credit System, the Brookings Institution has also just published "Ten Years of Federal Intermediate Credit" by **Frieda Baird** and **Claude L. Benner,** the latter known to almost every MBA member. . . .

Erratum: that was a stupid error the editor of *Local Chapter News* pulled in the last issue . . . in the story on the Conference appraisal contest, he listed the different classifications of valuations in which members submitted estimates . . . and they were all wrong . . . for example, the $30,000 to $39,999 classification was listed as $30,000 to $30,999 . . . and the rest were off in the same amount . . . sorry.

We learn with deep regret of the death of **Ernest R. Tennant,** president of the Dallas National Bank, on November 6th . . . **James Piper, Jr., George H. Schmidt** and **Guy T. O. Hollyday** of the Baltimore MBA have been promoted from Lieutenant (j.g.) to Lieutenant, U. S. Coast Guard Reserve (temporary) . . . they are company commanders, each having charge of the port of Baltimore one day a week.

The **New Orleans MBA** is looking ahead—far ahead . . . at their recent meeting members voted to invite MBA to hold its 1946 annual meeting in New Orleans . . . an invitation which will be looked upon with a great deal of favor we imagine . . .

Aubrey M. Costa, vice president, Southern Trust & Mortgage Co., Dallas, did a good job in addressing the Home Builders Postwar Clinic in Oklahoma City on "How Better Cooperation Between Mortgage Bankers and Builders Is Planned." . . . Costa declared that "As we approach the new era, I believe mortgage bankers have a varied and well-balanced program to offer in both FHA and conventional loans. The public can buy homes with far more confidence than in the past. A builder will profit by becoming affiliated with a local mortgage bankers organization, and work with them on his program. Certainly we want to do everything we can to cooperate with the builder since he is an important source of new business."

Wonder if we'll hear anymore on the "dive-bombing" bills now that **Norman Littell** has folded his tent and stolen away from the Department of Justice? . . . **G. Calvert Bowie,** Washington, D. C., represented MBA at the recent meeting of the sub-committee on home finance of the Construction and Civic Development Department Committee of the U. S. Chamber . . . an MBA member, **Nathaniel Dyke, Jr.,** Little Rock, Ark., will be one of the 12 key figures in reconversion . . . he has just been named by the President to the newly-created advisory board to function under the Office of War Mobilization and Reconversion . . . **Dyke, Eric A. Johnston** and **George H. Mead** of Ohio are the industry representatives.

MBA calendar: **President Mahan** has called an executive committee meeting for Dec. 16 in Chicago . . . and a Washington Contact meeting in Washington Jan. 8.

INTEREST RATES

(Continued from page 6)

have been made possible only by reducing the size and quality of houses."

The report pointed out that in good quality houses constructed of wood there are as many as 14 individual layers in the exterior wall, each of which is applied separately by hand. These include "finish coat exterior paint; second coat exterior paint; priming coat exterior paint; exterior siding, clapboards or shingles; building paper; sheathing; studs and framing; insulation; vapor seal; lath; brown coat plaster; finish coat plaster; sizing coat interior paint; and finishing coat interior painting.

"Although each of these layers serves a particular purpose," the report said, "it should be possible to develop a material which would perform the necessary functions of an exterior wall and yet could be efficiently molded into single thickness wall panels or sections, thus combining many layers into one."

The report said that if new methods and materials could reduce the cost of the "shell" of the house by 50 per cent, the effect would be to cut the total cost of the house and land by 30 per cent.

"Before the war," the report said, "housing costs were so high that in general only families well above the average income level could afford to buy a new home. There is no conclusive evidence that methods have been devised during the war whereby housing can be built at substantially lower costs. In fact, unless positive action is taken, housing costs are apt to be higher in the post-war period than they were before the war in relation to the prices of other commodities."

While urging encouragement of all types of research by private industry, the report urged that the Federal government launch a broad attack on the program, adding:

"The residential building industry offers great potentialities as an active post-war industry if the larger pent-up demand for new houses can be effectively tapped through lower costs. The modernization of the building industry to permit more efficient operation is a challenge to the industry, and should be undertaken by it."

JAS. E. McGEHEE ELECTED MEMPHIS MBA PRESIDENT

Jas. E. McGehee, Marx & Bensdorf, Inc., has been elected president of the Memphis MBA to succeed Bethel T. Hunt. Carl A. Robinson, Van Court Realty & Mortgage Co., was elected vice president and E. G. Butler, Leader Federal Savings & Loan Association, was elected secretary and treasurer. New board members include L. Hall Jones, Joyner-Heard Company, and Marc Wile, Marc Wile, Inc.

MBA'S FARM SEMINAR SET FOR NEXT JUNE AT PURDUE

MBA's first Farm Seminar sponsored in cooperation with Purdue University will be held next June at the University at Lafayette, Indiana, according to an announcement by President L. E. Mahan. The course, the first such venture for MBA, will run for five and a half days and enrollment will be limited to 100, according to present plans.

Principal objectives of the seminar will be to give insurance companies and other investors a better appreciation of farm loans as well as provide a medium whereby younger men with firms doing a farm mortgage business may learn more of present trends which have a bearing on this class of lending.

Tentative dates are June 25 to 30. Enrollment will be entirely through the MBA headquarters office. A fee of $75 has been suggested for the course and this would include room and meals. One-third of this would be paid when registering and the remainder at least 30 days before the opening of the course. Purdue's Memorial Union will probably be the scene of the meeting since it will comfortably house 100 delegates and provides excellent recreation facilities as well. Arrangements have been made for registrants to bring their wives.

MBA arrangements for the seminar will be in charge of J. Robert Miller, director of research. It is contemplated that a certificate of completion will be awarded to those taking the course. All addresses given at the meeting will be outlined in advance and printed in a binder followed by blank pages where the registrant can take notes.

Participating in the organization meeting in Lafayette were President Mahan, E. D. Schumacher, Memphis; A. A. Zinn, Indianapolis; J. S. Corley, Des Moines; E. D. Auer, Fort Wayne and Mr. Miller. Purdue was represented by Dr. E. C. Young and Dr. E. L. Butz.

President Mahan believes this will prove to be one of the Association's most important projects for this year and that its success will create a demand for similar courses in other parts of the country. At the present time, preliminary discussions are going on looking to a course in the East which would be devoted to the city side of the business.

REGISTER NOW FOR THE MBA SEMINAR

If you do any farm loan business or expect to, or if you have any indirect interest in farm mortgages, the MBA seminar is your opportunity to bring yourself up to date in this field.

One of the best investments you can make for the future is send some of your younger men to this seminar and get the benefit of expert thinking and experience of recognized authorities in farm mortgage lending. As many as 25 farm loan experts on all phases of farm lending will speak, each covering a specific phase of the field.

Send us your reservation today. Final details will not vary much from those outlined here.

It Won't Be Long Before the Membership of the Association Will Be 1,000 Strong

Sometime before not too long, MBA members will be notified that the one-thousandth member has been admitted to the Association. Total membership now stands at over 900 with more than 30 applications pending all of which meet the requirements for membership but have not been officially passed by the board of governors.

Regular members admitted since the last list was published in these pages include:

National Bank of Washington, Tacoma
Southwestern Life Insurance Co., Dallas
Colfax Mortgage & Insurance Service, Inc., South Bend
First Old State Bank, Elkhart, Indiana
The Morris Plan Bank of Cleveland
Ecorse-Lincoln Park Bank, Ecorse, Michigan
Land Title Insurance Co. of St. Louis
St. Joseph Bank and Trust Co., South Bend
The First National Bank of Elkhart, Indiana
American Trust Co., South Bend
The Wayne Oakland Bank, Highland Park, Michigan
Maxson-Mahoney-Turner, Dallas
Whitcomb & Keller Mortgage Co., South Bend
American Fire and Casualty Co., Orlando, Florida
Jackson-Cross Co., Philadelphia
First National Bank in St. Louis
Carl G. Stifel Realty Co., St. Louis
Ernest C. Lambert, Okmulgee, Oklahoma
Frank Strubbe & Co., Miami, Florida
Peoples Savings Bank, Evansville, Indiana
Telfair Stockton & Company, Inc., Jacksonville, Florida
Lowell, Smith & Evers, Inc., New York City
Leo Fellman & Company, New Orleans
Winston-Salem Bond & Mortgage Co., Winston-Salem, North Carolina
The Manufacturers Life Insurance Co., Toronto, Canada
The Prudential Savings Bank, Brooklyn, New York
Republic Insurance Co., Dallas

Associate members admitted since our last announcement include:

First Security Bank of Utah, Ogden
Norman E. York, Cleveland
Title Insurance Company of Minnesota, Cleveland

Note that this list includes our first Canadian member, the Manufacturers Life Insurance Co. of Toronto. Members will shortly be advised of other Canadian institutions affiliating with MBA.

The membership campaign this year will be under the direction of John C. Thompson of Newark and an aggressive well-organized program is being planned. More about it later when all details have been decided.